

**June 6, 2005**

**POLITICS AND POLICY**

# **Energy Bill May Lack Steam to Reach Bush**

## **Offshore Drilling, Ethanol Threaten to Divide Lawmakers as Full Senate Prepares for Measure**

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*June 6, 2005; Page A4*

WASHINGTON -- After failing to pass an energy bill for years, Congress is positioned to send one to President Bush, but the legislation could be derailed before ever reaching the White House.

Proposals for expanding offshore drilling and ethanol mandates are among potential "deal killers" -- measures that could be inserted when the full Senate takes up the bill this month or that could block agreement between the more Republican-dominated House and the more consensus-oriented Senate.

The House passed a version in April, and in a rare outbreak of bipartisanship, the Senate Energy Committee approved its bill in May. At a news conference last week, Mr. Bush named the energy bill first when listing his domestic priorities.

With compromise uncertain, the bill's fate could hinge on developments outside the energy-policy debate. If the price of gasoline steams toward \$3 a gallon during the summer driving season, lawmakers will feel heat from voters to pass a bill. If the current détente between Senate Democrats and Republicans over judicial nominees breaks down, the energy bill will become the first target of renewed delaying tactics. "It going to be difficult, but doable," says Clay Sell, the newly installed deputy energy secretary.

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Perhaps the most-volatile issue looming is a push by senators from oil-producing states and the Midwest to review longstanding moratoria on offshore exploration for natural gas. Resisted by some coastal states and environmental groups, the

move to find more domestic natural gas is seen by advocates as an answer to rising heating, electricity and fertilizer prices, and as a source of jobs.

## Common Ground

Major elements of the House and Senate energy bills:

 <p><b>Nuclear Power:</b> Incentives and insurance assistance for a new generation of nuclear-power plants.</p>	 <p><b>Renewable Energy:</b> Incentives for generating electricity from wind, solar, geothermal and farm-waste sources.</p>
 <p><b>Clean-Burning Coal:</b> More incentives for developing coal-gasification plants, which remove pollutants before electricity is generated.</p>	 <p><b>Future Cars:</b> More incentives for hydrogen-powered vehicles and cars that use hybrid technologies to save fuel.</p>
 <p><b>Diversification:</b> Encourages utilities to shift to a mixture of fuel sources for future power plants instead of relying on natural gas.</p>	 <p><b>Electricity:</b> Rules for operating the U.S. power grid to help prevent blackouts; incentives for utilities and investors to upgrade the grid.</p>

"People have a right to know what's out there," Sen. Mary Landrieu, (D., La.), argued during the energy panel's debate. She persuaded the committee to call for a new federal inventory, using seismic measuring devices, of how much natural gas lies offshore. She said she will introduce a measure to give states a "local option," allowing them to lease offshore land for drilling and to gain a larger share of any resulting royalties.

Sen. Jon S. Corzine, (D., N.J.), called the measure a potential deal killer and a risk to his state's \$35 billion tourism industry. He told the energy panel that at least 100 members of the House "are going to be very concerned about this." Opposition is regional, not partisan. Republican governors Arnold Schwarzenegger of California and Jeb Bush of Florida, who represent states opposed to offshore drilling, are expected to weigh in.

Another Senate debate will be triggered by proposals to regulate man-made sources of carbon dioxide and other so-called greenhouse gases believed to be warming Earth's climate. One recently unveiled by senators John McCain (R., Ariz.) and Joe Lieberman (D., Conn.) contains an emissions-trading system that provides new incentives to nuclear-power plants and coal plants that don't produce carbon dioxide.

The senators' proposal was crafted as a way to break the impasse in the global-warming debate, seeking to draw more support from the business community with the promise of a boost to long-stalled nuclear power. But the plan is drawing fire from some environmental groups that have campaigned for years against nuclear power. One, U.S. PIRG, claimed the nuclear incentives would "jeopardize" public health and safety. The environmentalists will be joined by a group they traditionally oppose: the coal industry. Carbon-dioxide regulation "would hurt 27 states whose power comes primarily from coal," said Carol Raulston, senior vice president of the National Mining Association.

If some form of climate-change regulation emerges from the Senate, it would pose problems both for the

House and for the president, who remains opposed to such measures. But to get a House-Senate conference report passed by the Senate, where a Democrat-led filibuster killed the energy bill last year, Republican leaders must yield on enough Democratic issues -- like climate change -- to assure they have 60 Senate votes necessary to defeat another one.

Sparks are expected to fly on the Senate floor over a provision inserted by Sen. Landrieu in the committee version of the bill authorizing the president to cut the nation's oil consumption -- now about 20 million barrels a day -- by 5%, or one million barrels a day, by 2015. The provision doesn't specify details, but automobile makers will fight it. They see it as a "backdoor" attempt to force higher efficiency standards for cars and trucks, which consume two-thirds of the nation's oil, according to Eron Shosteck, a spokesman for the Alliance of Automobile Manufacturers.

The electric-utility industry is mobilizing to modify a measure that will be offered by Sen. Jeff Bingaman (D., N.M.) that would require utilities to produce 10% of their power from "renewable" sources. The measure appears to have enough bipartisan support to get at least 50 votes on the floor. Sen. Bingaman defines renewables as wind, solar and farm wastes. Tom Kuhn, president of the Edison Electric Institute, an industry trade association, said utilities will push to include nuclear power and clean-burning coal plants in the category.

Fuel additives, such as ethanol, will give rise to further contention. It looks as if the Senate will pass a federal mandate requiring the use of eight billion gallons a year of federally subsidized ethanol by 2012, roughly double the amount now used. Ethanol is made mainly from corn, but incentives to make it from farm wastes, such as rice hulls and barley straw, have expanded support for ethanol beyond the Corn Belt.

In the House, Republican leaders are preparing to insist on a limited-liability waiver to protect sellers of a different fuel additive, methyl tertiary butyl ether, which is made from natural gas. "We want liability fairness, that's issue number one, two and three for us," explained Ed Murphy, who tracks energy legislation for the American Petroleum Institute. Oil companies face damage claims in a number of states where lawyers say they needn't prove negligence because MTBE is a "defective product." When leaked from gasoline tanks, the chemical can taint drinking water.

The MTBE waiver faces opposition in the Senate. But some energy experts on Capitol Hill see a potential compromise if the House accepts the ethanol proposals from the Senate, where farm-state legislators hold greater sway.

In 2002, the big deal killer for the energy bill was a Republican proposal to lease land in Alaska's Arctic National Wildlife Refuge for oil and gas exploration. Senate Democrats successfully filibustered the whole package over that measure. This year, Republicans hope to avoid that problem by moving it out of the energy bill and onto the budget bill. If that fails, House Republicans could push ANWR, which is in the House version of the energy bill, making it once again harder to pass the Senate.

But after four years -- including a major regional electricity blackout and oil and natural-gas price increases -- some lawmakers are willing to set aside differences and get something done. "I am not inclined to spend too much time in search of the ideal," Sen. Pete V. Domenici, (R., N.M.), chairman of the Senate Energy Committee, explained during the panel's deliberations, as he accepted some Democratic proposals without much disagreement. He said he shaped the bill's contents "always with an eye on the votes."

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